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Approved For Release 2004/05/05 : CIA-RDP80M00165A00800180001-7

Executive Registry
77-8266

11 July 1977

(cc: 7/10/77 1300/4)

E-20

MEMORANDUM FOR: Director of Central Intelligence
FROM : E. H. Knoche
Deputy Director of Central Intelligence
SUBJECT : Executive Advisory Group Activity with
Regard to Personnel Policy

1. Action Requested: None; for information only.

2. I mentioned to you late last week that the Executive Advisory Group (EAG) beginning last October and particularly during the last two months has been very actively involved in reviewing, modifying and fine tuning the Agency's personnel management system. Much of this activity resulted from an Attitudinal Survey undertaken in August of 1976. This survey, which was made from a carefully selected 25 percent sampling of our employees, was designed to measure employee perception of the Agency's personnel management system which had been drastically changed in January 1974. As a result, during the past six months the EAG has reviewed in detail such aspects of our personnel management policy as promotion criteria, grievance procedures, inter- and intra-Directorate rotation, letters of instruction from the supervisor to the employee, use of the Quality Step Increase, separation procedures, the state of morale in the Agency, the role of women in the Agency, the selection of key operating officials, the mix and balance of personnel in the Agency, the initial assignment and orientation of new employees, career development procedures, our policy with regard to marriage to aliens, the length of the probationary period for new employees, and supergrades. Actions resulting from these reviews have caused us to revise Agency regulations on promotion, grievance procedures, separation procedures and alien marriage.

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3. In addition, the EAG studied what we might call the top executive positions in the Agency and selected some 40 of these for annual consideration to ensure that the Deputies had the opportunity for putting forward the names of employees in their respective career services who were either already

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able to fill any vacancies in these top positions, but also to note those individuals who with proper further development would be able to fill such jobs some three years hence.

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4. Currently, the EAG is heavily involved with evaluating the supergrade population. We are doing this in part against the possibility that at some point in the future the Agency's ceiling of supergrades, as imposed by the Office of Management and Budget, may be cut either by OMB or the Congress. Also, this is the time of year for our supergrade promotion exercise, and since the number of recommendations to supergrade status exceeded our ceiling, and since I am aware of your desire for flexibility in bringing in individuals of your choice with supergrade rank, this was obviously the time to develop a policy with regard to the number of new supergrades against the size of ceiling we should keep open. You have in hand my recommendations on this subject. Last week we completed our review of the GS-18's as ranked by the Deputies and in fact discussed those falling in the upper and lower 20 percent. None of the latter fell in the low three percent category since all were making a valuable contribution. This week we will similarly look at the GS-17's, next week the GS-16's and three weeks hence the GS-15's. I intend these exercises to force a hard look at where we might be carrying senior personnel whose separation would benefit the Agency.

5. Further, on the subject of desired personnel flow in and out of the Agency, which, of course, also bears on the supergrade problem, the Director of Personnel at my direction and with the agreement of the EAG is presently reviewing those employees who were evaluated by grade in the bottom three percent in the five career services for the past three years to make sure that appropriate action has or is being taken to counsel, reassign, retrain or terminate. He is also reviewing those employees who are in Personal Rank Assignment (PRA) status. As you remember, promotions in this Agency are effected on the basis of excellence rather than the grade of the job. This means that we always have a certain number of employees graded above the position which they momentarily occupy. Our policy is not to promote above the grade of the position unless the career service has in fact a plan to move the employee into a suitably graded position within a two-year period. As a result of this year's Annual Personnel Plan we found that the number of PRA's had been increasing annually over the past several years to a worrisome extent. We were particularly aware that much of this increase was the result of the career services not following the two-year procedure and we therefore directed

*A SAD AND USELESS GRADED POSITION
THE POSITION OCCUPIED.*

the Office of Personnel to review the individual PRA's with a view to correcting the current imbalance by 1 September. We will of course be most interested in any employees who might have been both PRA's and in the bottom three percent category. You should understand that some of our employees in the bottom three percent are competent individuals -- often specialists -- who are valuable contributors to our day-to-day requirements even though they may have leveled off at their present grade and are neither aspiring nor in competition for higher level responsibility. To facilitate the flow out by retirement, I will be instituting a voluntary/involuntary retirement exercise from 15 July through the end of the fiscal year. This management tool permits the Deputies to "surplus" employees either across the board or in specific categories depending on where there is indeed a surplus situation as compared with ceiling. Thus, individuals who desire to retire but have not attained the required age can in fact leave through the surplus route during the prescribed period. We have recently sought and received Civil Service Commission approbation for this tool.

6. You have mentioned the need for an Agency-wide panel system to evaluate all of our professional employees. This is a subject which the EAG will also address. I am sure you are aware that the career services each have such a panel/board system and indeed in some cases it extends to our clerical service. I believe that this panel system works well and to the advantage of our most talented employees. There is merit to doing such evaluations on a career service basis since the smaller numbers evaluated by career service as opposed to Agency-wide panels permit a greater first-hand knowledge of the individuals evaluated and also facilitate the comparison of employees in similar types of positions, such as Research Analysts in the Directorate of Intelligence, Operations Officers in the Directorate of Operations, and scientifically trained personnel in the Directorate of Science and Technology.

7. We expect that this EAG concentration on personnel policy will have salutary effects on the kinds of problems raised by [redacted] and also raised at your meetings with various groups of employees. I think we should plan another Office of Personnel Attitudinal Survey in early 1978 to give us a reading.

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19 JUL 1977

I never proposed Agency-wide panels - only consistency
between career services in [redacted]
the promotion systems

E. H. Knoche

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E. H. Knoche

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CENTRAL INTELLIGENCE AGENCY
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OFFICE OF THE DEPUTY DIRECTOR

ER:

For file.

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Date: 23 July 1977

TO: A/DCI (Mr. Blake)
FROM: SA/DCI (DG)
SUBJECT: Scheduling of EAG Meeting with DCI,
and related matters.....

REMARKS:

In responding to the attached 11 July memo to him from Mr. Knoche concerning the EAG's consideration of Agency personnel policy, the DCI noted Mr. Knoche's references to EAG reviews of various aspects of this policy. He would like to see any paper that may have been produced on these subjects in the light of EAG discussions.

Also, the DCI would like to be certain that the EAG is not under the misapprehension that Mr. Knoche's description of the DCI's interest in the promotion panel system is entirely accurate. As he writes (re para 6 first sentence of the Knoche memo), he is not proposing Agency-wide panels, but only consistency between career services regarding their promotion systems.

Lastly, the DCI believes it might be useful for him to meet with the EAG sometime soon for a general discussion on personnel policy; it would be a good opportunity for senior management to ~~surfand~~ issues in a way difficult to accomplish in memoranda, and for the DCI to provide to senior management some of his philosophy and guidance.

Note that the DCI is meeting with the DDO/MAG on Friday, 29 July at 1430; this group may present some stimuli that could make an EAG meeting shortly afterward especially rewarding.

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MEMORANDUM FOR: Bernie:

15 July 77

Enclosed is a memo from ex-D/DCI describing Executive Advisory Group activities over last few months regarding personnel policy. DCI already is aware of some of questions EAG is addressing; how the members are handling these questions will be of interest to DCI - especially EAG view on benefits of extending Promotion Panel system to entire Agency, and ex-D/DCI recommendation that an employee attitudinal survey be undertaken in early 1978.

Please note that the EAG is composed of the senior managers and so its activities reflect senior views - not just the ex-D/DCI's, even though he established this group.

I do not know what Mr. Blake's views are on continuing the EAG during the interim. The DCI may have some views: also, it might be a useful vehicle for DCI to use in discussing some of his ideas and soliciting those of his senior management. Because EAG usually discusses only one or two topics, it is appropriate for "bull session" in a way the Morning

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In connection with the EAG discussions on personnel policy, the DCI might note the Diebold article in the latest Newsweek. In a sense, many of the letters DCI receives from some disillusioned younger employees reflect the degree to which they are affected by the general social changes ~~and~~ ⁱⁿ individual "value systems" etc. Diebold really is writing about industrial workers, but when he mentions "creativity" he touches on the major problem for our management. That is, attracting and keeping the self-starters. The best way to do this is by giving the younger employee as much responsibility as he or she can handle, and observing whether the employee develops the personal discipline necessary to discharge the increased responsibility.

I notice the EAG does not seem to have addressed the question of general goals of the personnel system, nor discussed the question of what constitutes good (or bad) management by the individual supervisor.

Date

DG

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John Diebold



Why Things Don't Work Any More

The need for action on today's crises of unemployment, urban decay, energy dependence, environmental pollution and...you name it...is urgent. But we had better recognize that crisis management is self-defeating when it excludes attention to what I think of as our *real* problems. These problems are part of the very machinery with which our society manages itself and the processes by which we cope with the you-name-it crises as they come along.

Energy, unemployment and welfare are real and pressing enough problems to demand our best efforts. But we need too to make the institutions of our society capable of dealing with life in the advanced industrial world in which we live, or we are going to expend increasing resources in coping with a stream of ever more demanding crises. The risk in this situation is not so much that we

won't be able to make things work but that we will turn to increasingly more authoritarian governments to do so.

Things don't work any more because we rely upon brute-force solutions for the crises by changing the processes with which we cope with public issues. The processes we use to handle problems and to make public decisions are not adequate in today's complex and demanding world.

DECLINE IN QUALITY

Some examples of what I think of as our *real* problems:

■ *No matter how we reorganize things to produce management efficiency, nothing is going to keep increasing unproductive, labor-intensive public services in important areas of life from declining.* It is a paradox of our society that many public services were originally taken

over by the government precisely because they were so important we wanted them available to as many citizens as possible at uniform quality. Yet today, the modern, broadly available and dependable items are consumer goods—portable color TV's, computer-driven sewing machines or cheap pocket calculators with the capability of yesterday's giant computers. Most of our *really* important activities—education, public transport, medical-service distribution, the running of cities—don't rely on advanced technology and therefore decline in quality and their costs spiral up.

The *real* problem here is not to try to force technology and modern management through the system—which is like

trying to push a string—but to see if we can't find ways to create the kind of demand that stimulates innovation and high productivity in the private sector.

The problem is to learn how to define the results we want and then create incentives to achieve them. The natural ingenuity of our people, one of America's greatest strengths, will do the rest, just as it has in the things we are best at.

There are isolated examples—in various U.S. cities and towns—of privately run "public" services that reflect lower-cost, better service in response to competition and the incentive of profit. For example, a private, for-profit fire department in Scottsdale, Ariz., costs citizens substantially less than the nationwide average for similar communities. If such trends mean the creation in the public sector of the kind of demand-pull for science and technology that has produced such success in industrial and consumer products, we may have found the key to a wholly new approach to higher-quality public services.

■ *We do not have "distant early warning systems" to anticipate future consequences of current and past decisions, to foresee the problems they may pose, and to identify the trade-offs in priority that we may have to make among alterna-*

tives right now. Many problems don't lend themselves to forecasting—no mid-1950s projection would have included an overnight quadrupling of oil prices, the social divisiveness of Vietnam, or Watergate. But there is a great deal we could know that we don't really consider. We avoid that very act of consideration, otherwise known as "planning."

PRIORITIES FOR RESOURCES

While strong emotions and proper skepticism surround the term "national planning," we do need some imaginative political inventing to allow us to compare the alternative demands on our limited resources, to assign priorities to those ends and to create incentives and disincentives so that the play of forces in the marketplace occurs within a framework of politically agreed-upon direction. The recent creation of the Congressional Budget Office was a good step, but we need many more.

■ *Attitudes toward work and personal value systems have changed radically, but few large organizations have altered their systems for managing, promoting and paying people.* Coupled with the alienation from authority and regimentation that characterizes current changing values, the productivity of our economy

is declining. We need large organizations; we also need our creative younger people. Yet, the way we handle people in business and government agencies has not kept up with the changes in their values. Imaginative innovation in adapting job hours and pay to today's realities could go a long way toward unleashing the energies and creativity of many members of our society who are "turned off" by yesterday's organization concepts and practices.

Innovative approaches to manpower used abroad have proved highly successful. The key in these cases seems to be the effective identification of the employees' interests with that of industry. In Japan, employees see themselves as part of a vital working community. In Germany, they have and feel as great an economic stake in productivity and profitability as does "management." We should be able to combine the possibility of self-fulfillment with the fact of working in large organizations, building on our own traditions of individual initiative and the recognition of talent.

Diebold, chairman of the Diebold Group, Inc., an international management consulting firm, is a business leader and innovator.



Washington, D.C. 20505

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Comptroller

Jim:

To move EAG smartly into the personnel topics, the beginning session, I think, should be one in which I lay out problems, tasks and general approaches.

I have some ideas on that. I am sure you do too. Let's discuss.

As one of the items for the first session, I'll take up the points raised by Ted Janney in his excellent 5 May memo on actions and insights related to the APP and PDP.

Hh

(EXCERPT FROM FILE E-20)

CENTRAL INTELLIGENCE AGENCY

2-21-77

Dear Stan:

25X1 The attached memo is
one I think worth your
Scanning during your trip

It recap's the work
being done by the Agency's
Executive Advisory Group (EAG).
Much of the work is exciting
and fresh. In general, I am
pleased by the progress to
date though much remains
ahead. I am particularly
eager to develop a wider
degree of involvement at various
levels within the Agency in
developing alternatives and
action programs for the future.

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